

HOUSING MARKET OUTLOOK

Trois-Rivières CMA



CANADA MORTGAGE AND HOUSING CORPORATION

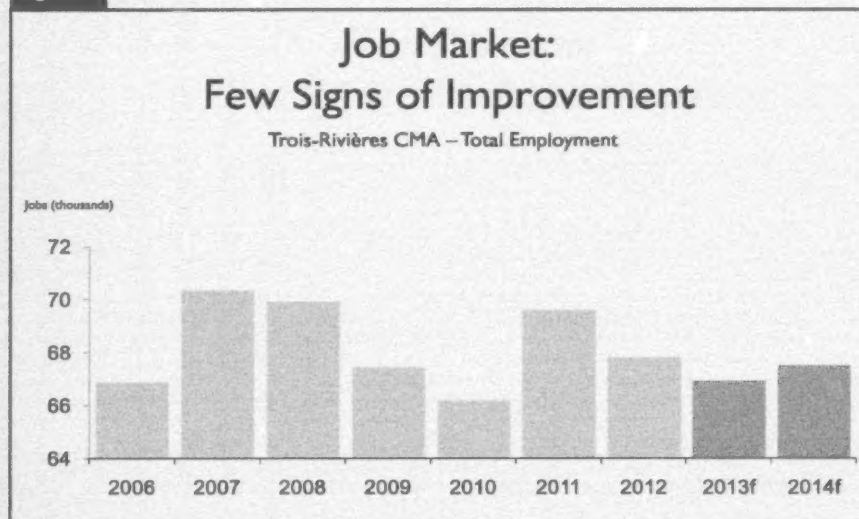
Date Released: Spring 2013

Real estate market to slow down in 2013 and 2014¹

Overall, the economic and demographic environment will not support the residential real estate market in the Trois-Rivières census metropolitan area (CMA) in 2013 and

2014. The weak job market growth prospects, along with the small decrease in net migration, will reduce housing demand. On the other hand, the low interest rates will generally limit the slowdown on the CMA housing market in 2013 and 2014.

Figure 1



Source: Statistics Canada
f: CMHC forecast

¹ The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts included in this document reflect information available as of April 26, 2013.

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Job market situation to remain difficult

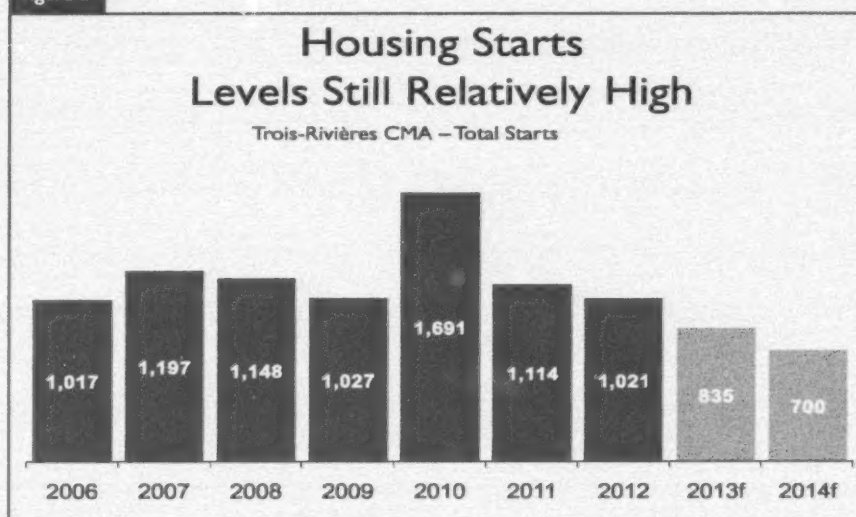
The job market situation will remain difficult in the Trois-Rivières CMA in 2013 and 2014 and will have a negative impact on the residential real estate market. The growth prospects are limited and employment registered a decrease in 2012.

Like in recent years, the manufacturing sector (pulp and paper, wood and furniture) will still be suffering from the economic conditions of its key trading partner (the United States) and the strength of the Canadian dollar against the U.S. dollar. The U.S. is showing a timid recovery, which is directly affecting the level of exports. And, the strong Canadian dollar continues to undermine the competitiveness of companies. In addition, the area will have to contend with significant layoffs in the nuclear energy sector, which will take place over several years. The Trois-Rivières area will however benefit from the diversification fund (\$200 million) created in response to these layoffs, which could help support the regional economy.

Construction will stay relatively strong, though, and this will support employment in this sector. In fact, housing activity will buoy up this sector, as the starts levels anticipated in 2013 and 2014 will remain high from a historical standpoint. The labour market will also be able to count on solid activity in the finance, insurance and real estate sector.

There are few signs of improvement for the job market on the horizon. Consequently, the downward trend, which began in 2012, will continue in 2013 (-1.3 per cent). Then, timid growth will be registered in 2014

Figure 2



Source: CMHC
f: CMHC forecasts

(+0.9 per cent), and total employment will therefore reach 66,900 jobs in 2013 and 67,500 in 2014.

Demographic factors less favourable to the housing market than in the past

Overall, in 2013 and 2014, the various demographic factors characterizing the CMA will be somewhat less favourable to the housing market than in the past. Migration is expected to decrease slightly, as a result of the relatively weak job market. It should be noted that migration greatly energized the residential real estate market over the past decade—with net migration reaching record levels—by boosting housing demand. However, despite the anticipated decline, it is important to specify that net migration will remain high from a historical standpoint.

From a longer-term perspective, the slowing trend in household formation will continue. Characteristic of the area, household formation is negative

for the youngest households but growing for older households (65 years or over). This trend will naturally intensify over the coming years and increasingly guide construction toward more specific housing types, such as rental and condominium dwellings.

Mortgage rates to see modest and gradual increases but will remain low

In line with the consensus among private sector forecasters, increases in the target for the overnight rate by the Bank of Canada are not expected before mid-2014, later than anticipated at the time of the first quarter 2013 edition of the national *Housing Market Outlook*. This reflects the downward revisions in GDP forecasts since the publication of that edition, particularly the expectations of a slower economy in 2013. The expected delay in interest rate increases will continue to be supportive of housing market activity over the forecast horizon.

According to CMHC's base case scenario for 2013, the one-year mortgage rate is forecast to be within 3.00 per cent to 3.25 per cent with an average of 3.13 per cent, while the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent with an average of 5.28 per cent. For 2014, the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range with an average of 3.42 per cent, while the five-year posted mortgage rate is forecast to be within 5.25 per cent to 5.75 per cent with an average of 5.53 per cent, consistent with higher economic growth prospects in 2014.

Mortgage rates are not expected to increase until mid-2014. The anticipated small and steady increases in mortgage rates will lead to somewhat higher mortgage rates by the end of 2014. However, these rates will remain low, by historical standards, over the forecast horizon.

Resale market conditions less tight than in past years

The less favourable economic and demographic environment will affect the resale market in the CMA in 2013 and 2014 and drive down Centris® sales. On the other hand, the continued relatively low interest rates will somewhat limit the decreases. In all, 980 residential properties will change hands in 2013 (-4.5 per cent) and 950, in 2014 (-3.1 per cent).

On the supply side, the upward trend in the inventory of properties for sale that has prevailed for the past several quarters will continue. The high inventories, combined with the

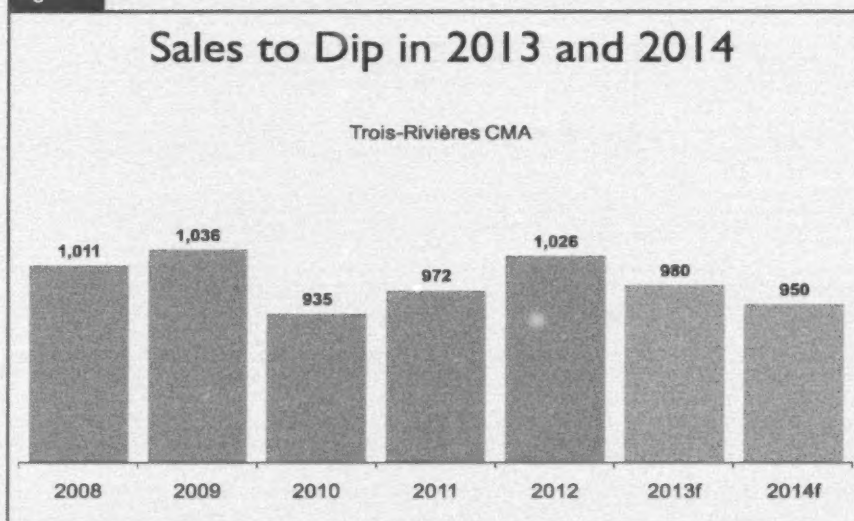
slowdown in sales, will therefore allow market conditions to ease further. Already, rising inventories in the last two years had caused the market to soften. In fact, market conditions, which were then favouring sellers, moved into balanced territory. Even though the easing will continue, the market will remain balanced over the forecast horizon, that is, neither side—buyers or sellers—will have the edge during negotiations.

As a result of the softer market conditions, the upward pressure on prices will ease. The price increases will remain modest, at 1.2 per cent in 2013 and 1.0 per cent in 2014. The average price of residential properties in the Trois-Rivières area will therefore reach \$156,660 in 2013 and \$158,225 in 2014. The less tight market conditions will also have an impact on listing periods, which will get longer.

New home market to slow down in 2013 and 2014

After remaining relatively stable in 2012, residential construction in the CMA will slow down in 2013 and 2014. A combination of factors will contribute to this decline: more difficult economic conditions, a generally less favourable demographic environment and, above all, an ever-growing choice of properties for sale. In addition, the vigour that had long characterized rental housing construction will no longer be a factor. In fact, rental housing—the effective engine of the residential real estate market in the Trois-Rivières area for the past ten years—accounted for half of all dwellings started annually within the territory. But this activity is now a thing of the past. In fact, this downward trend was apparent in 2012, when the construction of traditional rental housing units fell by almost half.

Figure 3



Source: QFREB by Centris®
f: CMHC forecasts

Residential construction will however still be able to rely on low interest rates. Also, the aging of the population (growth in households 65 years or older) will increasingly guide and support the housing market in the CMA. This demographic environment is in fact already starting to progressively fuel a more specific housing demand, particularly for condominiums. These two factors will slightly limit the decrease in activity.

Construction will get under way on 260 single-detached houses in 2013 (-15 per cent) and 250 in 2014 (-4 per cent). As for semi-detached and row homes, 175 starts will be recorded in 2013 (-18 per cent) and just as many in 2014. In the case of rental housing, the downward trend that began in 2012 will continue. In response to the easing of the rental market, the production of such dwellings will decrease. In fact, there will be 200 rental housing starts in 2013 (-30 per cent) and 150 in 2014 (-33 per cent). Lastly, the exceptional activity in the condominium segment will be maintained in 2013, before dropping in 2014. As a result, foundations will be laid for 200 condominium units in 2013 and then 150 in 2014.

In all, 835 new housing units will be enumerated in 2013 (-18 per cent) and 700, in 2014 (-16 per cent). It should be noted however that, despite the anticipated decreases, the levels of activity in CMA will remain relatively high from a historical standpoint, with the annual average for the last twenty years hovering around 800 starts.

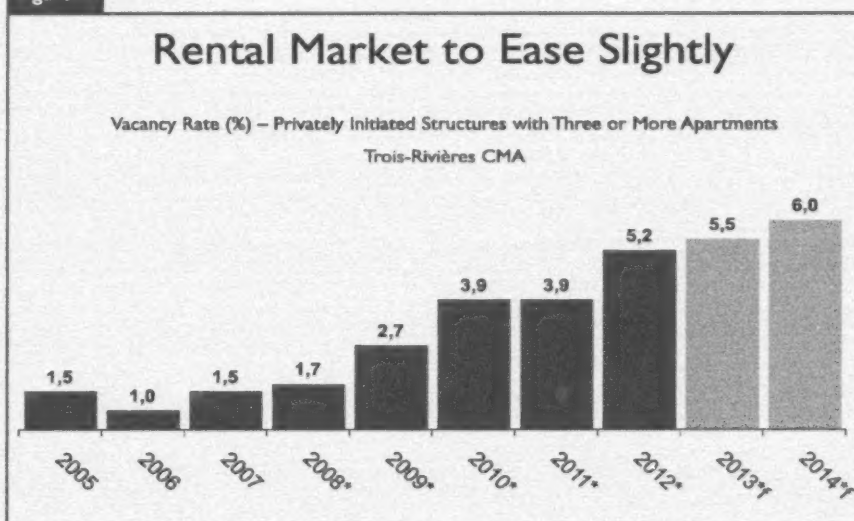
Rental market conditions to remain relatively stable

Rental market conditions in the CMA, which eased significantly in recent years, will remain relatively stable in 2013 and 2014. With the rise in the vacancy rate in 2012 (to 5.2 per cent), it has become much easier for renters to find dwellings.

Given the less favourable economic and demographic environment, demand for rental housing in the area will fall slightly in 2013 and 2014. In fact, the somewhat lower net migration levels than in past years, along with the decrease in the number of young households, will bring down demand for rental housing. It is a known fact that newcomers and young people are major players on the rental market and that they drive the demand.

In response to this less pronounced demand, the production of housing, which has already begun a definite downward trend, will slow down further in 2013 and 2014. Consequently, the less abundant supply of new units, combined with a less significant demand, will keep the market relatively stable. The vacancy rate will therefore attain 5.5 per cent in 2013 and then 6.0 per cent in 2014. The situation on the market in the area will contrast with that prevailing just a few years ago, when the vacancy rate was very low. These less tight conditions will ease the upward pressure on rents, which will remain modest. The average rent for two-bedroom apartments will therefore reach \$560 this year and \$565 next year.

Figure 4



Source and forecasts: CMHC

* Rental housing units for seniors were withdrawn from the survey universe.

Forecast Summary
Trois-Rivières CMA
Fall 2013

	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	345	335	305	260	-14.8	250	-3.8
Multiples	1,346	779	716	575	-19.7	450	-21.7
Starts - Total	1,691	1,114	1,021	835	-18.2	700	-16.2
Average Price (\$):							
Single-Detached	209,570	218,822	215,261	217,400	1.0	219,500	1.0
Resale Market¹							
Centris® Sales	933	991	1,026	980	-4.5	950	-3.1
Centris® Active Listings	518	679	727	740	1.8	765	3.4
Centris® Average Price (\$)	151,053	156,468	154,803	156,660	1.2	158,225	1.0
Rental Market²							
October Vacancy Rate (%)	3.9	3.9	5.2	5.5	-	6.0	-
Two-bedroom Average Rent (October) (\$)	533	547	550	560	-	565	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.25	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 5.75	-
Annual Employment Level	66,200	69,600	67,800	66,900	-1.3	67,500	0.9
Employment Growth (%)	-1.8	5.1	-2.6	-1.3	-	0.9	-
Unemployment rate (%)	9.1	8.7	7.9	8.0	-	8.0	-
Net Migration	984	912	922	860	-6.7	830	-3.5

The Centris® system contains all the listings of Québec real estate brokers.

¹Source: Centris® Statistics

²Privately initiated rental apartment structures of three units and over

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Statistics Canada (CANSIM), Centris® Statistics, CMHC Forecast (2013-2014)

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